

86th Legislative Session – 2011

Committee: Joint Appropriations

Monday, January 24, 2011

P - Present
E - Excused
A - Absent

Roll Call

P Sutton
P Haverly
P Heineman
P Novstrup (Al)
P Peters
P Putnam
P Rampelberg
P Dennert
P Wismer
P Juhnke
P Bolin
P Romkema
P Dryden
P White
P Tidemann
P Carson
P Brown, Vice-Chair
P Wink, Chair

OTHERS PRESENT: See Original Minutes

The meeting was called to order by Representative Dean Wink.

Office of the State Treasurer

Mr. Rich Sattgast, State Treasurer, introduced staff members present at the meeting – **Mr. Rik Drewes**, Deputy Treasurer; **Ms. Lee DeJabot**, Administrator for Unclaimed Property; **Ms. Marianne Gabriel**, Banking Administrator; and **Ms. Sandy Tillman**, Cash Management Administrator. Distributed were two handouts entitled “Agency Response to Questions from

Joint Committee” (**Document #1**) and “BFM Recommendations to Governor Daugaard” (**Document #2**).

For FY2012, the Governor recommends a budget of \$3,352,115, comprised of \$457,700 in general funds and \$2,894,415 in other fund expenditure authority, and 9.0 FTEs. This is a total decrease of \$51,992 (1.5%) from the FY2011 budget.

Treasurer Sattgast noted that the Division of Treasury Management is funded entirely from general funds and processes \$4.2 million in cash receipts annually. The Division of Unclaimed Property is funded with other funds and processes \$8.5 million in cash receipts annually with about \$2.4 million in annual claims paid.

Representative Dean Wink asked about the office’s methods to promote of the unclaimed property list. Treasurer Sattgast responded that the Treasurer’s Office attends trade shows and fairs across the state, has a website (www.sdtreasurer.gov), and publishes the list of names on the list once a year in various newspapers.

Representative Fred Romkema inquired about the Veterinary Student Grants. Treasurer Sattgast stated that since South Dakota does not have a veterinary program, the Veterinary Student Grant program was designed to encourage students to attend veterinary school and return to South Dakota to provide veterinary services in the community. These students must provide one year of service in South Dakota for every year they received a grant. The Treasurer’s Office is responsible for the oversight of the funds.

Treasurer Sattgast referred the committee to Document #1. He stated that during FY2012, the Treasurer’s Office will not be initiating or dropping any programs.

Senator Deb Peters suggested that the office review the Unclaimed Property laws and update for functionality and materiality.

Treasurer Sattgast asked that the committee approve the Governor’s recommended budget with minor adjustments. There is a reduction of \$36,088; of which \$35,000 was a 6.9% general fund reduction requested by his predecessor. This budget cut recommendation as based on the realization of savings through a negotiated banking contract on fees paid. The Governor asked Treasurer Sattgast to come up with additional 3.1% budget cut. The Treasurer’s Office found additional budget cuts in contractual services in the amount of \$35,000.

Senator Peters asked why the Treasurer’s Office is not participating in the salary cuts similar to the department secretaries under the Governor. Treasurer Sattgast responded that in conversations with the Governor, the 10% salary decrease was not to cause harm or injury to

individuals unless necessary. The elected officials have discussed the issue. The Treasurer will not be included in the salary cut.

Senator Jeffrey Haverly requested that the office provide a breakdown of contractual services for FY2010, FY2011, and the proposed budget for FY2012. He also requested that a list of each position in the Treasurer's Office with the salary for FY2010, FY2011, and the proposed budget for FY2012. Senator Peters requested that the information be presented for both the actual expense and the budgeted amount.

Senator Haverly asked if there were any salary increases provided. Treasurer Sattgast stated that there were salary adjustments in positions, but the bottom-line budget for personal services remained that same. He needed to match position salaries to bring staff to the Treasurer's office.

Senator Al Novstrup asked about the impact to the state from the staff member in the Treasurer's Office cashing out their benefits in November. Mr. Drewes stated that in November 2010, he cashed out his leave and continued to work for the Treasurer's Office. This was not a retire/rehire situation, but a method to fund a personal hardship for household expenses.

Office of the Secretary of State

Mr. Jason Gant, Secretary of State, informed the committee that after the election, he decided to not have a deputy secretary but rather have three divisions and division directors. The divisions include – Business Services, Elections, and Operations.

For FY2012, the Governor recommends a budget of \$4,333,073, comprised of \$876,741 in general funds, \$3,127,547 in federal funds, and \$328,785 in other funds, and 15.6 FTEs. This is a decrease of \$225,599 (4.9%) from the FY2011 budget.

Secretary Gant stated that the office will be submitting three bills during the 2011 Legislative Session. They are:

- A bill to extend the \$3 fee for online corporate filings. The fee is scheduled to sunset on June 30, 2011, but the office wants to extend the \$3 filing fee to continue running the program;
- The lobbyist registration system currently is very paper-oriented and time consuming. The office wants to get the lobbyist registration system online and implement fees for items such as badges; and
- The creation of an election education and compliance fund; which would allow the \$50 per day penalty for not filing reports on time to be deposited in the fund (instead of the general fund) to use for projects that ensure people are submitting reports and filing correctly.

Representative H. Paul Dennert asked about the government take-over of the voter registration list. Secretary Gant said that a resolution would be great and he would put one together if another legislator is not creating one. He confirmed that he does not want to the federal government to have a national system and operate the voter registration list. Currently, he does not know of any legislation that has been submitted to Congress, but will continue to monitor the issue.

Representative Jim Bolin inquired about the significant amount of federal funds appropriated to the office. Secretary Gant told the committee that the Help America Vote Act passed in 2002-2003 provided South Dakota over \$3 million in federal funds that the state is able to use for different federal election issues – assisting counties with computers, auto-mark systems, etc. The actual expense is \$1.6 million although the office has budgeted over \$4.5 million. The funds are held and only spent when an election activity issue arises.

Secretary Gant informed the committee that his office recommends a FY2012 budget of \$4,225,560 – a decrease of \$107,513 from FY2010. The office's recommendation is a decrease of \$97,416 (10%) in general funds, \$3,028 (0.1%) in federal funds, and \$7,069 (27.6%) in other funds. The decreases in general funds and federal funds match the Governor's recommendation. The general fund decrease consists of \$53,785 from personal services – cutback from lower salaries with new employees – and \$43,631 in operating expenses (cut \$1,772 from travel, \$19,472 from contractual services, \$18,762 from supplies and materials, and \$3,625 from capital outlay).

Secretary Gant stated that the major difference between the Governor's recommended budget and the budget recommended by the Office of the Secretary of State is the funding for the online corporate filing system. It was assumed last November that the system was ready to implement, but more time is needed and the office is asking for the other funds to remain while the system is completed.

Senator Corey Brown asked about the contractual services contracts. Secretary Gant stated that the contracts are for computer service upgrades will decreased from \$51,000 to \$44,000, contracts for central services will decrease from \$33,000 to \$28,000, and computer software contracts will decrease from \$11,000 to \$9,000.

In response to Senator Haverly's question about efficiencies, Secretary Gant stated that the office will not be purchasing lanyards for lobbyists, printing/distributing booklets for people that receive concealed weapons permit, and utilizing electronic notifications.

Secretary Gant stated, in response to committee questions, that the \$118,000 in other funds for the computer upgrade are the revenues generated from the uniform commercial code filing and \$3 fee for online corporate filings. In FY2010, the revenue from the uniform commercial code fee was \$226,000 and the \$3 online corporate filing fee was about \$150,000

Secretary Gant commented that the FY2011 budget for the Secretary of State's Office does not include any additional funds that aids in paying for sick leave and vacation payout when employees retire or quit. The office was faced with a \$70,000 benefit payout in FY2011. With a 14% cut in operating expenses for FY2011 and FY2012, the office was able to pay most of the benefit payout. However, the office will be asking for a \$20,000-\$25,000 special appropriation to manage the payout.

Office of the State Auditor

Mr. Steve Barnett, State Auditor, introduced the staff members present at the meeting – **Mr. Jason Lutz**, Deputy State Auditor; **Ms. Judy Flagstad**, Payroll Supervisor; **Mr. Dennis Keith**, Audit Supervisor; **Ms. Amanda Schmitgen**, Assistant Finance Officer; and **Mr. Robert Swanson**, Accounting Supervisor/Contracts Manager.

During the 2009 Legislative Session, additional duties were given to the Office of the State Auditor. House Bill 1097 established equal access to the courts commission. Amendment 1300ba to the 2010 general bill named the Office of the State Auditor to administer these funds. Revenue is collected through filing fees for court services and is deposited once a month by the Department of Revenue. An expenditure authority in the amount of \$100,000 was granted.

For FY2012, the Governor recommends a budget of \$1,185,349; consisting of \$1,085,349 in general funds and \$100,000 in other funds, and 18.0 FTEs. This is a total decrease of \$120,594 (9.2%) from the FY2011 budget.

Auditor Barnett noted that 88% of the general funds appropriated to the office is used for personal services and benefits. The proposed FY2012 budget cut would remove \$96,294 in general funds from personal services.

Distributed to the committee was a handout entitled "FY2012 OSA Budget Request Overview" (**Document #3**) Auditor Barnett stated that the Office of the State Auditor requests total budget cut of \$120,594 for FY2012. These cuts consist of a decrease of \$90,553 in general funds for personal services and a decrease of \$30,041 in general funds for contractual services. The office will be able to make the cuts by:

- Eliminating \$5,000 in contractual fees;
- Hire a part-time employee to complete the work (will be one of the 18.0 FTES already appropriated);
- Leaving the remaining FTE unfilled;
- Reduce travel by \$15,218;
- Increase of \$1,361 for postage; and
- Decrease of \$2,806 in capital outlay.

Auditor Barnett informed the committee that the office will be reaching out to other agencies in state government to increase the agencies knowledge of the voucher process. The goal of the education outreach is to reduce the amount of vouchers that are currently being returned to the various agencies for corrections or clarification. This not only will decrease workload for the Office of the State Auditor, but for each separate agency as well.

Senator Haverly asked about the difference in the office's request and the Governor's request for employee salaries and employee benefits. Mr. Lutz stated that the difference is a savings of \$12,000 to the office as a result from the elimination of employee benefits for 2 FTEs. One FTE will remain unfilled and the other will be consolidated to a part-time position and therefore not receive benefits. The rest of the savings is from the office's retirement match. Mr. Lutz noted that the FTEs will remain in the office's budget but without funding.

Senator Brown requested the office provide the amount needed to payout sick leave and vacation benefits for employees that retire or quit in FY2011.

In response to Representative Wismer's question, Auditor Barnett stated that an auditor position will remain vacant.

MOTION: ADJOURN

Moved by: Dryden
Second by: Dennert
Action: Prevailed by voice vote.

Lisa Shafer
Committee Secretary

Dean Wink, Chair